



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

October 11, 2005

OFFICE OF
AIR AND RADIATION

Dear Authorized Account Representative:

As the end of the 2005 ozone season under the NO_x Budget Trading Program approaches, it is time for you and your company to begin gathering the necessary data for determining the number of allowances to be deducted under Annual Reconciliation. The Clean Air Markets Division (CAMD) of EPA administers the NO_x Budget Trading Program for the states. As the Authorized Account Representative, you are responsible for providing CAMD with accurate and timely information, which may be drawn from a variety of sources within your organization.

To facilitate the submission of the required form(s) for Annual Reconciliation, CAMD allows people with a CAMD Business System (CBS) user ID and password to access and submit **online** NO_x Budget Trading Program true-up forms (the required Compliance Certification Report, as well as the optional Allowance Deduction and Common Stack Allowance Deduction Forms).

For those of you who do not yet have a CBS user ID and password, submit the required information at: <https://cfint.rtpnc.epa.gov/camd/loginrequest/index.cfm>. Questions regarding CBS user IDs and passwords can be directed to Alex Salpeter at 202-343-9157 or Paula Branch at 202-343-9168. Laurel DeSantis is also available to answer any general questions you may have about CBS at 202-343-9191 (desantis.laurel@epa.gov).

Although EPA encourages you to use CBS, for those of you who prefer to print out and submit hardcopy forms, go to <http://www.epa.gov/airmarkets/forms/index.html#nbp> to access the set of forms and instructions. All forms must be postmarked by November 30, 2005 for them to meet the submittal requirements.

We anticipate completing the Annual Reconciliation process and deducting allowances by March, 2006. You will be notified that the Annual Reconciliation process is complete when we send you the NO_x Allowance Tracking System report titled "Allowance Deductions for Compliance Year 2005" for each of your affected units.

Compliance is determined on an individual unit basis, so a surplus of allowances in one compliance account and a deficit in another means the latter source has excess emissions, even if they are both part of the same plant or facility. Most states have authorized the use of overdraft accounts, which offer some protection from being out of compliance if there are insufficient allowances in an individual unit account. For states that have not authorized overdraft accounts, we recommend that you make sure that each compliance account contains a "buffer" of allowances beyond what you anticipate will be deducted.

The deadline for transferring allowances with 2003, 2004, and 2005 compliance use dates, or "vintages," is November 30, 2005. Transfers delayed in the mail will still be processed and the allowances will be available for use for Annual Reconciliation for 2005 as long as the postmark date is not later than

November 30, 2005. You can also use the CAMD Business System which allows you to use the Internet to transfer allowances and provides instant transfer confirmation. For more information on CAMD Business System, go to our website at <http://www.epa.gov/airmarkets/business/index.html>.

Important Information for 2005 Reconciliation

1. Please remember that progressive flow control (PFC) is in effect for year 2005 Annual Reconciliation. The PFC ratio this year is 0.25, and it applies to any banked allowances (with a compliance use date of 2003 or 2004) held in your compliance and overdraft accounts at the time deductions are made. The first 25 percent of these banked allowances will be deducted at one allowance for each ton of NO_x emissions. The remaining 75 percent will be deducted at two allowances for each ton of NO_x emissions, if they are needed. (See: <http://www.epa.gov/airmarkets/fednox/flowcontrol.pdf>)

2. All Early Reduction Credit (ERC) allowances with a 2004 compliance use date that are not deducted for compliance this year will be removed from the NO_x Allowance Tracking System following 2005 reconciliation. This means if you hold any 2004 ERC allowances you may want to use the Allowance Deduction Form or CAMD Business System to specify that these allowances be deducted first, so you don't lose them.

3. If you are responsible for a new unit that received a new unit allocation from your state's new unit set-aside, please make sure you are familiar with your state's rule provision regarding an adjustment to that allocation for actual utilization. This adjustment may result in the deduction of allowances, a "new unit takeback," in addition to the deduction of allowances for emissions. Please make sure that if your unit is subject to this deduction that it does not put your unit out of compliance. For additional information, consult your state regulation, or contact Mary Shellabarger at 202-343-9188 (shellabarger.mary@epa.gov).

4. If you have any questions on your final emissions value, please contact Ketan Patel at 202-343-9144 (patel.ketan@epa.gov).

Please share the information in this mailing with all of the people that are involved in preparing your company for compliance with the Annual Reconciliation requirements. This is the only letter that will be sent for the plants for which you are the Authorized Account Representative; we are not mailing paper copies. (If you notice any incorrect email addresses in this correspondence for yourself or a colleague, please contact Laurel DeSantis at 202-343-9191 (desantis.laurel@epa.gov).

If you need assistance completing the forms, or want general information concerning Annual Reconciliation for the NO_x Budget Trading Program, please contact the Clean Air Markets Hotline at 202-343-9620 and leave your request in the "NO_x Budget Trading Program" message box.

Sincerely,

/s/ (October 11, 2004)

Sam Napolitano
Director, Clean Air Markets Division